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Enabling a Healthier World

**Lonza**

# Half-Year Results 2023

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# Half-Year 2023 Group Overview



# Executive Summary<sup>1</sup>

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- CHF 3.1 billion sales and 5.6% CER sales growth, corresponding to around 10% CER underlying sales growth<sup>2</sup>
- CHF 922 million CORE EBITDA resulted in a margin of 30%
- Good momentum in commercial CDMO business
- Group Outlook 2023 update: mid-to-high single-digit CER sales growth and 28 to 29% CORE EBITDA margin, reflecting slower growth than expected in early-stage services and continued weak demand in the nutraceutical capsules market driving underutilization
- Mid-Term Sales Guidance confirmed with updated margin range at 31 to 33%

<sup>1</sup> CORE results and Constant Exchange Rates (CER) are non-IFRS measures. For Lonza's definition of CORE results, also refer to the Alternative Performance Measures Brochure published in conjunction with the Lonza Half-Year Report.

<sup>2</sup> H1 2023 sales growth against an elevated H1 2022 base set by high COVID-related sales and Allakos cancellation fee. It also includes other disclosed one-time effects in H1 2022 and H1 2023.



# H1 2023 – Update on Key Events

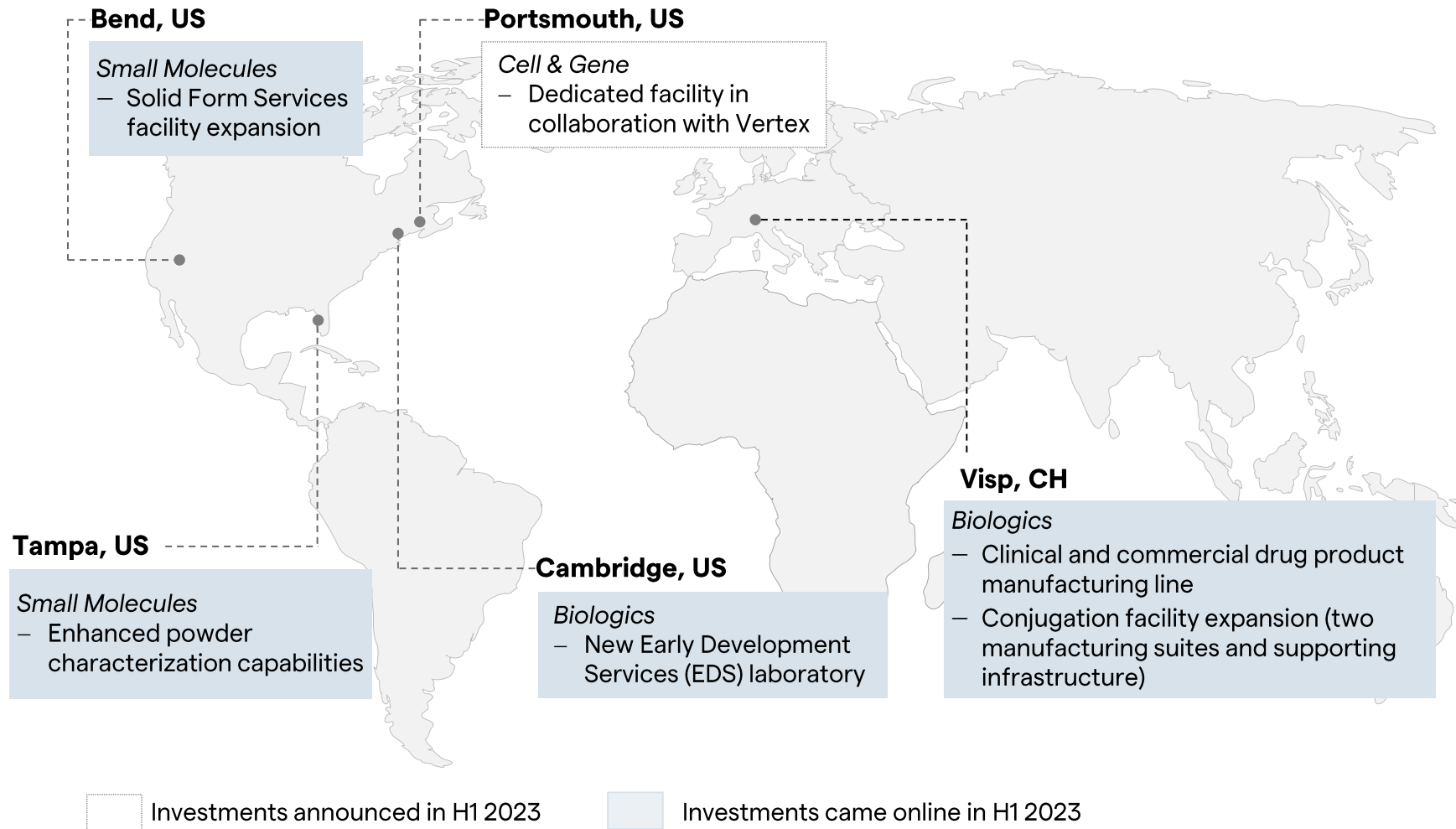
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- Solid underlying growth in Biologics, driven by Bioconjugates, Mammalian and Microbial
- Strong performance in Small Molecules driven by high asset utilization, favorable mix and a focus on more complex and high value offerings
- Healthy increase in value of Biologics contract signings in H1 2023 versus H1 2022
- Headwinds from decrease in customer demand for nutraceutical capsules and lower biotech funding impacting early-stage demand
- Collaboration with Vertex to build facility in Portsmouth (US), to support its type 1 diabetes cell therapy portfolio

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# New investments and assets coming online to drive growth



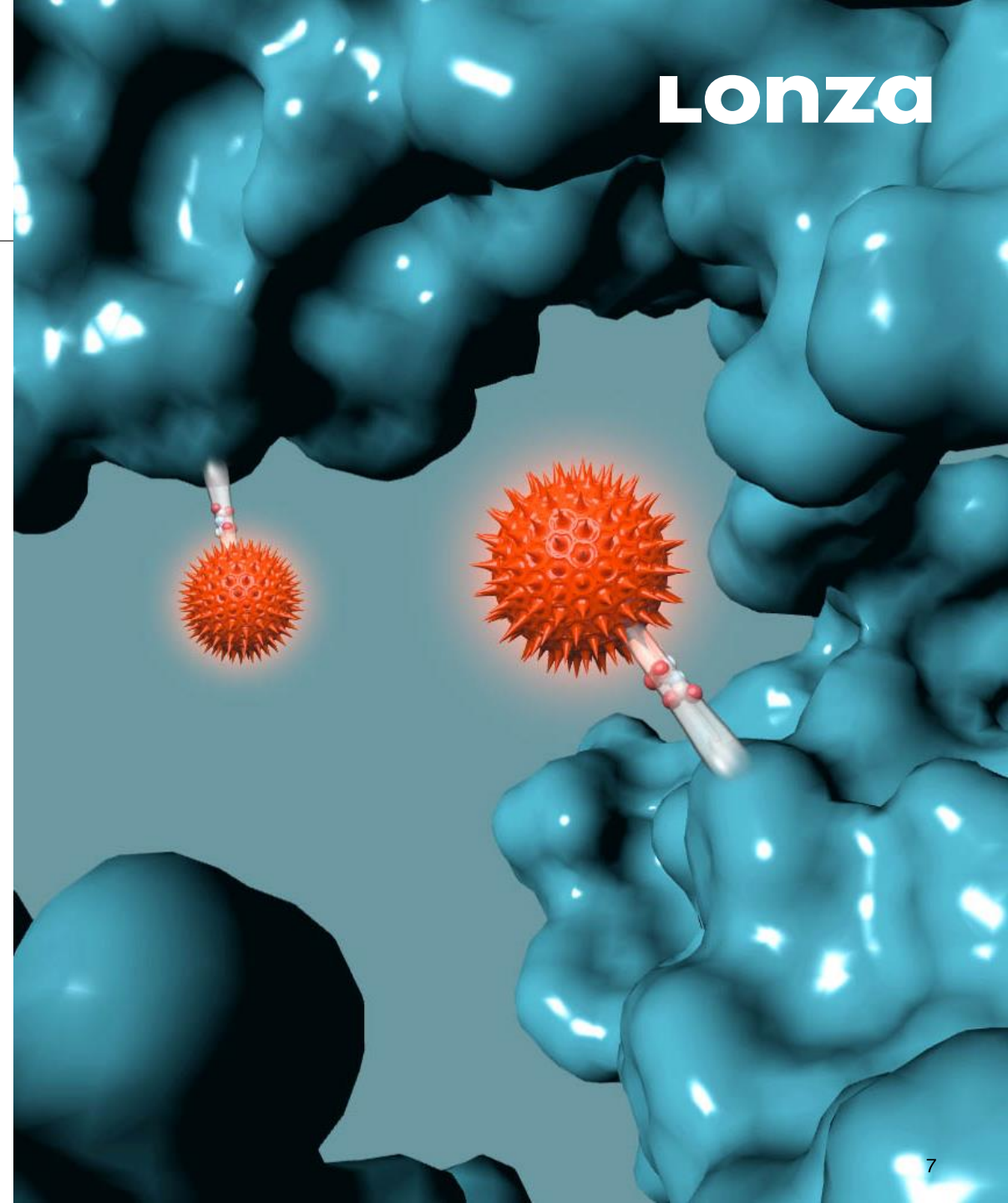
- Significant additional capacity for Bioconjugates in Visp (CH)
- Extension of Early Development Services into US market
- Collaboration with Vertex to build dedicated facility in Portsmouth (US) for type 1 diabetes cell therapies

## Synaffix acquisition creates a best-in-class ADC customer offering

- Acquisition of leading clinical-stage Synaffix technology platform for the development of antibody-drug conjugates (ADCs)
- Strong Synaffix IP and talent enables Lonza to deliver a comprehensive service to rapidly discover, develop and commercialize ADCs
- High commercial potential of technology: more than 15 deals signed with milestones and long-term royalty prospects
- Revenue and margin accretive from date of acquisition

Antibody-drug conjugate built using Synaffix platform technology GlycoConnect™

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# Commitment to >40% emission reduction by end of 2030

## Commitment to reduce greenhouse gas (GHG) emissions

- Letter of commitment to Science Based Targets initiative (SBTi), a leading carbon footprint reduction initiative
- Lonza plans to reduce absolute Scope 1 and 2<sup>1</sup> GHG emissions by more than 40% by the end of 2030<sup>2</sup>

## Renewable energy purchase agreement

- Virtual Power Purchase Agreement (VPPA) signed with IGNIS for more than 300 GWh of solar electricity annually
- The renewable energy is equal to Lonza's electricity needs across Switzerland and the European Union

<sup>1</sup> Definition of Scope 1 and 2 according to [Sustainability Report](#), pages 33-34

<sup>2</sup> From a 2021 base



## Priorities for H2 2023

- Ramp-up of new commercial assets to support accelerated growth in Biologics
- Secure early-stage opportunities to optimize capacity utilization
- Continuous improvement initiatives across the network

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# Half-Year 2023 Financial Summary

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## Financial Performance Summary

in m CHF

	H1 2023	Change CER <sup>1</sup>	Change AER <sup>2</sup>
Sales	3,078	5.6%	3.2%
CORE EBITDA	922	(4.7)%	(6.6)%
CORE EBITDA margin	30.0%	(3.2)ppts	(3.1)ppts

- Around 10% underlying sales growth supported by strong commercial demand offsetting lower COVID sales
- Market headwinds in early-stage and nutraceutical capsules
- Adverse FX impact from weaker USD mitigated on margin

<sup>1</sup> Constant Exchange Rate. Comparison vs. H1 2022

<sup>2</sup> Actual Exchange Rate. Comparison vs. H1 2022

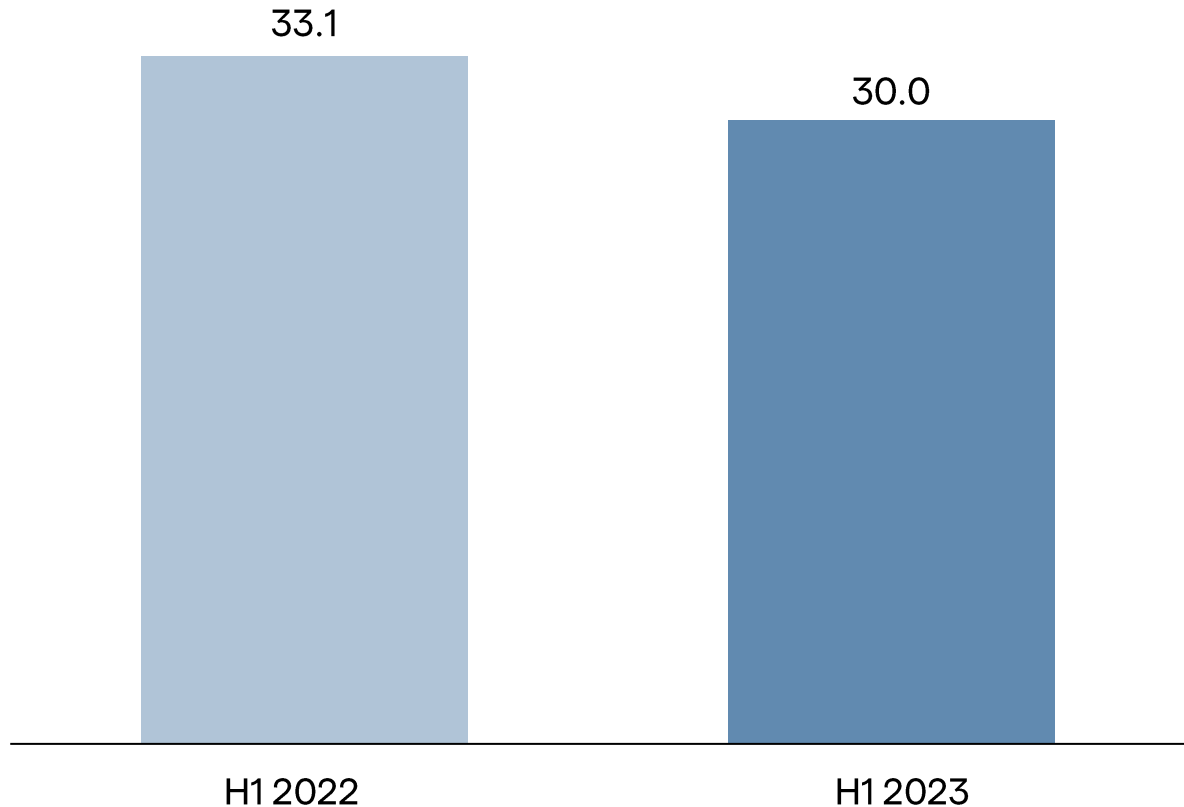
# Margin in line with expectations

## CORE EBITDA Margin Drivers



### CORE EBITDA Margin H1 2023 vs H1 2022

in %



- H1 2022 with higher COVID sales and positive one-time items
- Underutilization in early-stage and capsules assets
- Productivity and operating leverage mitigate negative division mix and dilution from growth projects

# Strong commercial CDMO, market softness impacts CHI and CGT



## Divisional Performance

### Financial Results by Division H1 2023

	Sales growth CER <sup>1</sup>	CORE EBITDA margin	Margin change AER <sup>2</sup>
Biologics	1.9%	31.5%	(5.8)ppts
Small Molecules	37.5%	34.9%	5.0ppts
Cell & Gene	10.8%	19.6%	(2.7)ppts
Capsules & Health Ingredients	0.3%	31.9%	(3.3)ppts
<b>Lonza</b>	<b>5.6%</b>	<b>30.0%</b>	<b>(3.1)ppts</b>

- Good sales momentum in Biologics, excluding mRNA; softer margins from lower mRNA sales, Allakos in H1 2022 and growth project dilution
- Strong performance in Small Molecules versus low H1 2022 base
- Cell & Gene impacted by biotech funding slowdown, offset by impact of Codiak BioSciences<sup>3</sup>
- Weaker post-COVID demand for nutraceutical capsules, under-absorption and elevated raw materials costs in CHI

<sup>1</sup>Constant Exchange Rate. Comparison vs. H1 2022

<sup>2</sup>Actual Exchange Rate. Comparison vs. H1 2022

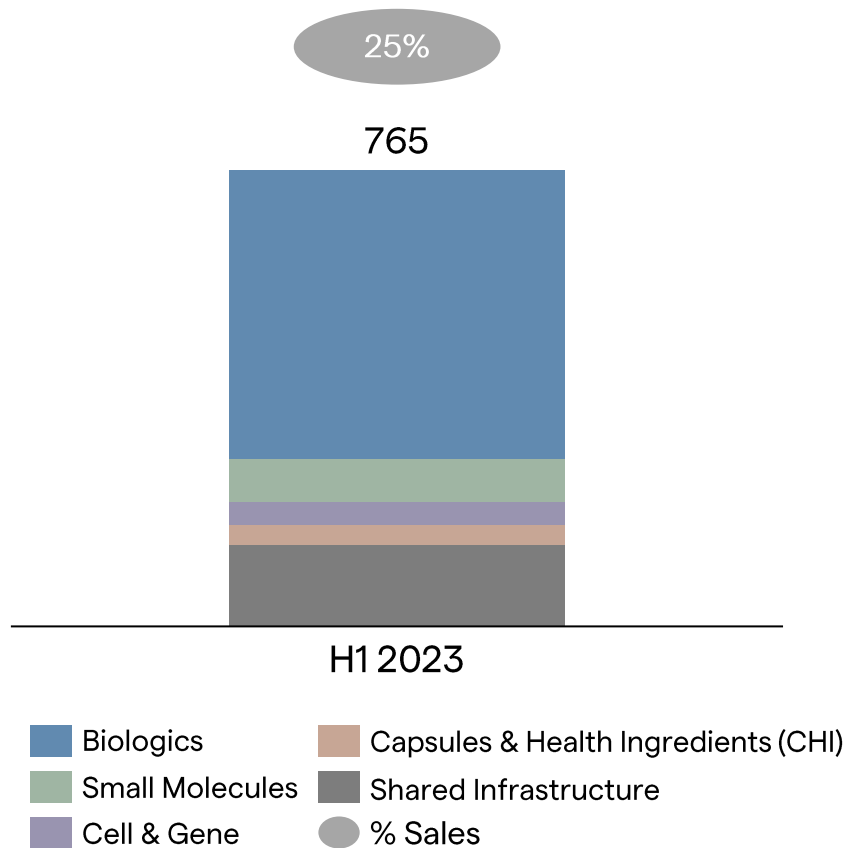
<sup>3</sup>[Further information](#) on Codiak BioSciences termination

# Continued progress on growth investments

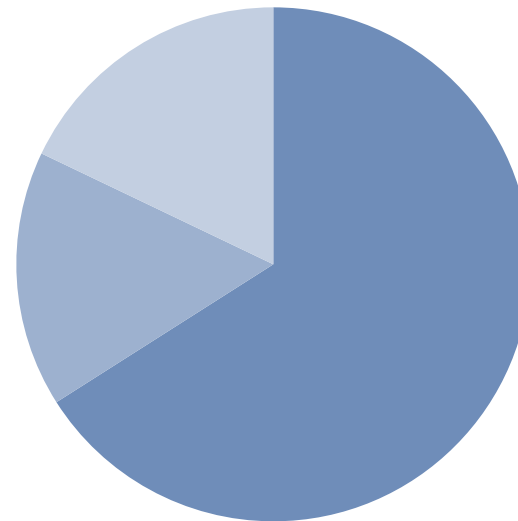
## CAPEX

### CAPEX Breakdown by Division

in m CHF



### H1 2023 Project Portfolio



- c.80% of CAPEX in growth
- Growth projects delivery in line with plan
- Internal return thresholds: ROIC 30%, IRR 15-20%

<sup>1</sup>Total project CAPEX >50m

<sup>2</sup>Total project CAPEX <50m

# Robust cash generation to support growth investments

## CAPEX



### Operational Free Cash Flow

in m CHF

	H1 2023	Change	H1 2022
EBITDA	899	(35)	934
Change of net working capital (NWC)	(436)	56	(492)
CAPEX	(765)	76	(841)
Other	240	172	68
<b>Operational FCF before acq./div.</b>	<b>(62)</b>	<b>269</b>	<b>(331)</b>
<i>NWC as % sales</i>	<i>20.8%</i>	<i>0.1ppts</i>	<i>20.7%</i>
<i>CAPEX as % sales</i>	<i>24.9%</i>	<i>(3.3ppts)</i>	<i>28.2%</i>

- Strong Free Cash Flow before growth CAPEX
- CAPEX below prior year due to timing of project investments

# Half-Year 2023 Divisional Overview

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**1,605<sub>m</sub>**

Sales  
(CHF)

**+1.9%<sup>1</sup>**

**506<sub>m</sub>**

CORE EBITDA  
(CHF)

**-16.5%**

**31.5%**

CORE EBITDA  
Margin

**-5.8ppts**

- Divisional sales momentum fully offset H1 2022 higher mRNA sales and Allakos cancellation fee
- Strong sales growth in Bioconjugates driven by two new manufacturing suites coming online in Visp (CH)
- Sustained sales growth in Mammalian and Microbial business units
- Healthy increase in value of Biologics contract signings in H1 2023 versus H1 2022
- Slower growth than expected in early-stage services due to weaker biotech funding
- Margin impacted by growth project dilution in H1 2023, and high H1 2022 base set by increased mRNA sales and the Allakos cancellation fee

Boarded figures are a comparison vs. Half-Year 2022

<sup>1</sup>Sales growth, expressed as a percentage (%), are at constant exchange rate (CER)

**393<sub>m</sub>**

Sales  
(CHF)

**+37.5%<sup>1</sup>**

**137<sub>m</sub>**

CORE EBITDA  
(CHF)

**+59.3%**

**34.9%**

CORE EBITDA  
Margin

**+5ppts**

- Strong H1 2023 sales growth compared to a low base in H1 2022
- CORE EBITDA margin supported by:
  - High asset utilization and favorable mix in H1 2023
  - Focus on more high value and complex small molecules
- Sustained customer demand for highly potent and difficult-to-make small molecules
- Anticipated Full-Year performance broadly in line with divisional Mid-Term Guidance<sup>2</sup>

Boarded figures are a comparison vs. Half-Year 2022

<sup>1</sup> Sales growth, expressed as a percentage (%), are at constant exchange rate (CER)

<sup>2</sup> Small Molecules Mid Term-Guidance 2024: high single-digit sales, 30%+ margin

**363<sub>m</sub>**

Sales  
(CHF)

**+10.8%<sup>1</sup>**

**71<sub>m</sub>**

CORE EBITDA  
(CHF)

**-7.8%**

**19.6%**

CORE EBITDA  
Margin

**-2.8ppts**

- H1 2023 divisional sales growth driven by strong momentum in Bioscience and the positive impact of Codiak BioSciences termination<sup>2</sup>
- Bioscience performance supported by robust demand and operational efficiency and pricing adjustments
- Weak performance in Cell & Gene Technologies driven by lower early-stage biotech funding and some customer clinical-stage failures
- Long-term commercial potential of modality reflected in new collaboration agreement with Vertex

Boarded figures are a comparison vs. Half-Year 2022

<sup>1</sup> Sales growth, expressed as a percentage (%), are at constant exchange rate (CER)

<sup>2</sup> [Further information](#) on Codiak BioSciences termination

**595<sub>m</sub>**

Sales  
(CHF)

**+0.3%<sup>1</sup>**

**190<sub>m</sub>**

CORE EBITDA  
(CHF)

**-13.6%**

**31.9%**

CORE EBITDA  
Margin

**-3.3ppts**

- Flat sales resulting from price increases offsetting lower volumes
- Lower nutraceutical sales due to lower customer demand and destocking
- Sales growth in pharma hard capsules
- CORE EBITDA margin adversely impacted by underutilization and raw materials costs, only partially offset by pricing and cost savings

Boarded figures are a comparison vs. Half-Year 2022

<sup>1</sup> Sales growth, expressed as a percentage (%), are at constant exchange rate (CER)

# Concluding Remarks



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## Sales Outlook '23

Mid-to-high single-digit CER sales growth

## Margin Outlook '23

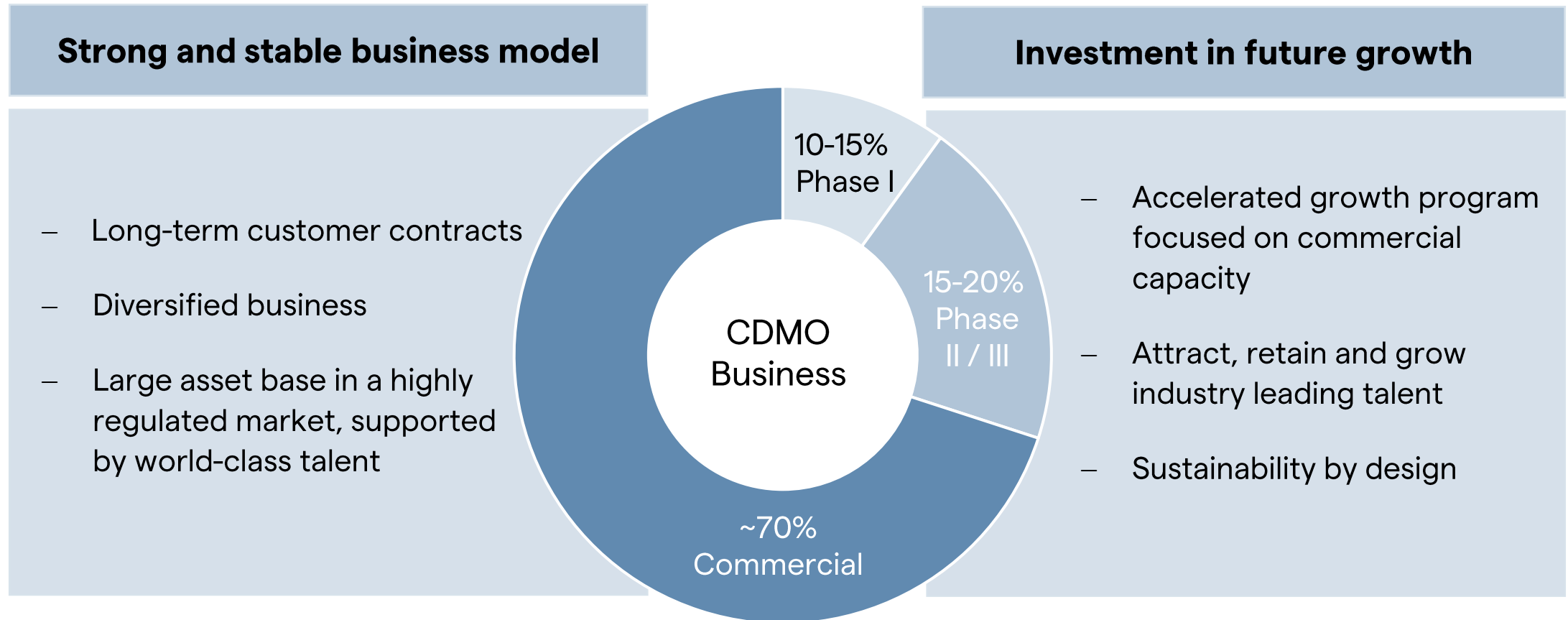
28 to 29% CORE EBITDA margin

## H2 2023 Performance Drivers

- Sales growth acceleration driven by new Biologics assets coming online
- Margin impacted by increasing under-absorption of early-stage and nutraceutical assets
- Favorable mix in Small Molecules weighted to H1 2023

## Mid-Term Guidance

Sales Guidance confirmed with updated margin range at 31 to 33%



## Concluding Remarks

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- Lonza delivered 5.6% CER sales growth and a CORE EBITDA margin of 30%
- Robust momentum in commercial CDMO business, with current market dynamics impacting demand for early-stage services and nutraceutical capsules
- 2023 Outlook at mid-to-high single-digit sales growth and 28 to 29% CORE EBITDA margin
- H2 priorities: ramp-up of new commercial assets, optimize capacity utilization, and drive continuous improvement across the network
- Well-positioned for success through a leading commercial offering, supported by ongoing growth investment program



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Q&A

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# Appendices

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# Impact of Termination of Relationship with Codiak BioSciences on Lonza Performance



Codiak BioSciences Chapter 11 filing in March 2023 led to termination of exosomes partnership with Lonza

Termination of engagement resulted in release of obligation to provide manufacturing services by Lonza

## Codiak BioSciences partnership termination on Lonza financials

in m CHF for Sales and Core EBITDA, in CHF for Core EPS

	H1 2023	FY 2023
Sales	c.+50	c.+35
Core EBITDA	c.+45	c.+35
Core EPS	c.+0.2	c.+0.0

# Half-Year 2023 Financial Highlights (1/2)



CHF million	<b>HY 2023</b>	<b>HY 2022<sup>1</sup></b>	<b>YoY (in %)</b>
Sales	3,078	2,982	3.2
CORE EBITDA	922	987	(6.6)
<i>Margin in %</i>	30.0%	33.1%	
EBITDA	899	934	(3.7)
<i>Margin in %</i>	29.2%	31.3%	
EBIT	540	645	(16.3)
<i>Margin in %</i>	17.5%	21.6%	
<i>ROIC in %</i>	8.7%	11.7%	
Net Financial Result	(42)	(52)	
<i>Tax Rate in %</i>	15.4%	16.2%	
Profit for the Period	411	498	(17.5)

<sup>1</sup> 2022 financial information is based on "continuing operations" i.e. exclusive of the Specialty Ingredients business, that was sold on 1 July 2021 and therefore was reported as discontinued operations

# Half-Year 2023 Financial Highlights (2/2)



CHF million	<b>HY 2023</b>	<b>HY 2022<sup>1</sup></b>	<b>YoY (in %)</b>
CORE EPS basic (CHF)	6.12	7.29	(16)
EPS Basic (CHF)	5.54	6.68	(17.1)
CORE EPS Diluted (CHF)	6.12	7.28	(15.9)
EPS Diluted (CHF)	5.54	6.67	(16.9)
Change of Net Working Capital	(436)	(492)	
Capital Expenditures	765	841	(9.0)
Operational Free Cash Flow	(62)	(331)	81.3
Number of Employees (Full-Time Equivalent)	17,896	17,154	4.3
Net debt / (net cash)	564	(221)	(355.2)
Debt-equity ratio	0.1	(0.0)	
Net Debt / CORE EBITDA ratio	0.3	(0.1)	

<sup>1</sup> 2022 financial information is based on "continuing operations" i.e. exclusive of the Specialty Ingredients business, that was sold on 1 July 2021 and therefore was reported as discontinued operations

## Upcoming Roadshows

25 August 2023	Credit Suisse, Zurich
28 August 2023	JP Morgan, New York
29 August 2023	JP Morgan, Boston
4-5 September 2023	UBS, London

## Upcoming Announcements

17 October 2023	Capital Markets Day (incl. Qualitative Update)
26 January 2024	Full-Year Results 2023

Information about investor relations events is constantly updated on the website:

[www.lonza.com/about-lonza/investor-relations](http://www.lonza.com/about-lonza/investor-relations)



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Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Any statements contained herein that are not statements of historical fact (including statements containing the words “outlook,” “guidance,” “believes,” “plans,” “anticipates,” “expects,” “estimates” and similar expressions) should be considered to be forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty.

There are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including the timing and strength of new product offerings; pricing strategies of competitors; the company’s ability to continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs;

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